

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 /021 W  
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R 071543Z APR 78  
FM AMEMBASSY MADRID  
TO USDOC WASHDC  
INFO SECSTATE WASHDC 4149  
AMCONSUL BARCELONA

UNCLAS SECTION 01 OF 02 MADRID 03723

E.O. 11652: N/A  
TAGS: BEXP SP  
SUBJECT: MARKET FOR INDUSTRIAL SEWING MACHINES FOR GARMENT  
INDUSTRY IN SPAIN  
REF: USDOC 5368

1. THE SPANISH MARKET FOR INDUSTRIAL SEWING MACHINES FOR THE GARMENT INDUSTRY IS CONDITIONED BY THE SPANISH WEARING APPAREL INDUSTRY. ACCORDING TO SOURCES AT THE CONSULATE GENERAL IN BARCELONA (WHERE THE MAJOR WEARING APPAREL INDUSTRY IS CENTERED), THIS INDUSTRY IS SUFFERING HEAVILY BECAUSE OF SPAIN'S DEPRESSED ECONOMIC CONDITION. WITH THE EXCEPTION OF SPANISH MANUFACTURERS OF BLUE JEANS AND SIMILAR WESTERN-STYLE APPAREL (WHO ARE DOING VERY WELL), PRACTICALLY ALL OTHER MANUFACTURERS ARE EXPERIENCING DIFFICULTIES, PARTICULARLY THE LACK OF SUBSTANTIAL ORDERS FROM DOMESTIC OR FOREIGN BUYERS. MANY OF THESE MANUFACTURERS ARE REPORTEDLY FACING "SUSPENSION OF PAYMENTS" DUE TO LACK OF CAPITAL AND HAVE RESORTED TO WORKING ONLY TWO OR THREE DAYS A WEEK, OR WORKING ONLY HALF-DAYS. THIS WAS CONFIRMED BY THE CHIEF OF THE MANUFACTURING DEPARTMENT OF ONE OF SPAIN'S LEADING INDUSTRIAL SEWING MACHINE MANUFACTURERS, LOCATED AT VIGO (NW SPAIN), WHO NOTED THAT A LEADING APPAREL MANUFACTURER IN VIGO IS NOW WORKING ONLY 3-1/2 HOURS A DAY.

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2. SPAIN IS ALSO ENCOUNTERING SERIOUS PROBLEMS IN EXPORTING WEARING APPAREL, INCLUDING RESTRICTIONS BY THE EC.

3. REGARDING INDUSTRIAL-TYPE SEWING MACHINES, WE HAVE BEEN INFORMED BY AN INDUSTRY SOURCE THAT, ALTHOUGH DOMESTIC

DEMAND IS FLAT, DUE TO THE STAGNATION OF THE APPAREL INDUSTRY, EXPORTS HAVE IMPROVED SLIGHTLY.

4. THE INDUSTRY SOURCE INDICATED THAT THERE IS A FAIRLY IMPORTANT DOMESTIC PRODUCTION OF THE STANDARD INDUSTRIAL-TYPES OF SEWING MACHINES, BUT THAT THE MORE SOPHISTICATED TYPES ARE IMPORTED.

5. ACCORDING TO AVAILABLE STATISTICS, 1975 SPANISH PRODUCTION OF ALL TYPES OF INDUSTRIAL SEWING MACHINES WAS OF 55,267 UNITS WITH A VALUE OF 636,676,000 PESETAS. IN 1976, PRODUCTION DECREASED TO 45,879 UNITS WORTH 466,422,000 PESETAS. IN 1977 (JANUARY-NOVEMBER ONLY), SPANISH PRODUCTION OF INDUSTRIAL SEWING MACHINES GREW TO 61,661 UNITS WITH A VALUE OF 732,987,000 PESETAS. THE SAME INDUSTRY SOURCE SAID THAT APPROXIMATELY 80 PERCENT OF THE ABOVE FIGURES SHOULD BE CONSIDERED AS BEING FOR THE APPAREL INDUSTRY, WHILE THE REMAINING 20 PERCENT ARE INDUSTRIAL SEWING MACHINES FOR THE FOOTWEAR INDUSTRY, AS WELL AS FOR SECTORS USING SUEDE, ETC., AS MATERIALS.

6. CUSTOMS STATISTICS OF 1976 IMPORTS OF INDUSTRIAL-TYPE SEWING MACHINES SHOW IMPORTS FROM THE U.S. IN FOURTH PLACE (RATHER THAN AS DESCRIBED PARA 2 REFTEL) AS FOLLOWS:

CUSTOMS WEST  
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HEADING PRODUCT GERMANY JAPAN ITALY U.S.A

84.41.05 OVERLOCK OR FASTEN-

- NING MACHINES AND  
- THEIR HEADS 284 1,057 1,864 228

84.41.06 INDUSTRIAL-TYPE

- SEWING MACHINES,  
- EXCLUSIVELY DESIGNED  
- TO SAW LEATHER,  
- SHOES, SACKS,  
- BUTTONS, EGC. 3,515 2,134 1,404 1,623

84.41.07 UNSPECIFIED

- INDUSTRIAL-TYPE  
- SEWING MACHINES 1,168 979 19 990  
  
- TOTAL 4,967 4,170 3,287 2,841

7. INDUSTRY SOURCES REPORT THAT HIGH PRICES, NOTWITHSTANDING THE RECOGNIZED QUALITY OF U.S. BRANDS, PLACE U.S. MACHINES IN A WEAK COMPETITIVE POSITION RELATIVE

TO SPANISH DOMESTIC PRODUCTION AND IMPORTS FROM JAPAN AND WEST GERMANY. THE SOURCES ALSO NOTED THE LACK OF AGGRESIVENESS BY U.S. FIRMS, WHICH CONTRASTS SHARPLY WITH THE JAPANESE WHO ARE OFFERING THEIR MACHINES AT ABOUT 15 PERCENT LESS THAN A YEAR AGO. THE HIGH QUALITY OF JAPANESE MACHINES AND THE EXCELLENT PRICES AND TERMS ON WHICH THEY ARE OFFERED ARE ENABLING THE JAPANESE TO SLOWLY DISPLACE WEST GERMANY FROM THE SPANISH AND OTHER EUROPEAN MARKETS. SOME OF THESE JAPANESE MACHINES PRESUMABLY ARE MANUFACTURED UNDER U.S.

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8. ONE SOURCE REPORTED THAT SPANISH AND JAPANESE MACHINES UNDER CUSTOMS HEADING 84.41.07 ARE VERY PRICE COMPETITIVE WHILE U.S. MACHINES UNDER CUSTOMS HEADING 84.41.05 ARE MORE PRICE COMPETITIVE.

9. COMMENT: GIVEN THE FLATNESS OF THE SPANISH ECONOMY AND THE EXPECTATION OF A SLOW, GRADUAL RECOVERY, WE DO NOT ANTICIPATE SIGNIFICANT DEMAND IN THE NEAR TERM FOR THE TYPES OF EQUIPMENT DESCRIBED IN PARA 3 REFTEL. NEVERTHELESS THESE LINES SHOULD BE OF CONSIDERABLE INTEREST AS THE GARMENT INDUSTRY BECOMES MORE BOUYANT. A KEY ELEMENT OF SUCCESS IS A REALISTIC PRICE POLICY. IN ADDITION, IT IS VERY HELPFUL, IF NOT ESSENTIAL, FOR THE EXPORTING FIRM TO OPERATE THROUGH A SPANISH AGENT OR DISTRIBUTOR, AND AN ADS IS STRONGLY RECOMMENDED.

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